

Farmers Home Administration

Washington D.C. 20250

> FmHA AN No. 2306 (1924) June 13, 1991

SUBJECT: Proper Completion of FmHA Form 431-2, "Farm and

Home Plan"

State Directors, District Directors, and County TO:

Supervisors

ATTENTION: Farmer Program Chiefs

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to emphasize the importance of completing the Form FmHA 431-2, "Farm and Home Plan," properly and accurately in connection with making and servicing Farmer Programs loans. The intended outcome is to ensure that the Farm and Home Plan is completed in sufficient detail to reflect the borrower's financial position and to protect the financial interest of the Government. The Forms Manual Insert (FMI) must be followed explicitly for this purpose.

A proper accounting and disposition of all commodities produced in the prior year(s) needs to be made prior to a delinquent borrower receiving a new loan and/or the borrower's account being restructured in accordance with FmHA Instruction 1951-S.

COMPARISON WITH PREVIOUS AN:

This AN replaces AN 2190(1924) dated December 13, 1990. Administrative Notice 2190(1924) has been expanded in order to provide guidance to County Supervisors in preparing Farm and Home Plans where borrowers have requested some form of servicing action.

IMPLEMENTATION RESPONSIBILITIES:

National Office Coordinated Assessment Reviews and Credit Quality Reviews continue to indicate weaknesses exist in the preparation of Form FmHA 431-2, "Farm and Home Plan," when developing plans of operation for loan making and loan servicing purposes. The following weaknesses have been noted:

EXPIRATION DATE: April 30, 1992

FILING INSTRUCTIONS: Preceding FmHA Instruction 1924-B



- 1. Plans are not signed and dated by the borrower and the County Supervisor.
- 2. The financial portion of the Automated Plan is not signed and dated by the borrower.
- 3. All assets and/or debts are not properly reflected in Table A of the Farm and Home Plan.
- 4. The net worth section of Table A is not properly completed to reflect the results of the annual analysis as it relates to the change in the borrower's net worth.
- 5. Rental and lease information is not entered into Table B, when applicable.
- 6. Table C is not properly prepared to address key farm management practices and improvements necessary to carry out the proposed plan of operation.
- 7. Annual analysis is not planned in Table C.
- 8. Commodity prices, commodity/livestock yields, and farm operating and family living expenses are not based upon past actuals. FmHA Instructions 1924-B, Section 1924.57(d) addresses the documentation required.
- 9. Tables F, G, H, I and J are not completed per the Forms Manual Insert. Totals in Tables F, G and H are not brought forward to proper columns in Table I and J.
- 10. All debts due and to be paid during the annual production cycle, including income and Social Security taxes, are not included in Table K.
- 11. Mathematical errors.

In addition to the 11 items listed above, it is important that a proper accounting of the preceding year's commodities be made before any loan making and/or servicing action is continued. Before a delinquent borrower can receive a loan or primary servicing action, all commodities in storage must be sold and the proceeds applied to their FmHA accounts or prior liens. The only exception would be where a delinquent

borrower has a sales contract with a specified delivery date sometime in the future. The attached Farm and Home Plan is an example of a borrower with commodities being held for sale. In the example, Table A Summary illustrates how the commodities could be used. Borrowers who are delinquent are required to sell the commodities and apply the proceeds to their loan account(s) up to the point of either paying current and/or until all of the commodities have been sold and all funds applied to their account or to the prior lienholder's account. A delinquent borrower is not eligible for a subsequent loan and/or servicing action when crops and/or livestock is held for sale from the previous year's operation, unless there is a sales contract in hand.

As indicated in unnumbered letter dated January 28, 1991, entitled, "Fiscal Year 1991 Operating Loan Allocation" rollovers, where proceeds from the sale of income security are used to finance a future year's production, are not authorized.

If you have any questions, please contact A. Veldon Hall, Director Farmer Programs Loan Servicing and Property Management Division, at 447-6293.

LA VERNE AUSMAN Administrator

Attachment

FmHA 431-2		U.S. Department of Agriculture												
(Rev. 2-89)			Farmers H	ome Administration	י [י	NAME OF APPLICANT/BORROWER								
						Joe B	oe Borrower							
FAF	M AND	HOM	ME P	LAN	[CASE NUMBER		DATE OF PLAN					RES OWNED	
						123-45-6	789	1/2/92		_	т	OTAL	(30) CROP (75	
A. BALANC	E SHEET													
CURRENT FARM	ASSETS					\$ VALUE		RM LIABILITIE	3				\$ AMOUNT	
Cash: Savings: (\$) C	hecking (s 2,000	1\$	2,000(Al	Accounts and	Notes Payable (Cr	ditor & Due	Date)	Past Du	je		
Other Invest: (Tim	ne Cert \$) (Othe	er \$)									
Accounts and Not	es Receivable						Co-op	1991 Opera	ting	Ex.	\$10,0	00	\$10,000(A	
Crops and Feed		Units		Value Per Unit										
Soybeans		300	d 5	.50/bu	<u> </u>	16.500(A1	1							
											<u> </u>			
			1				Cash Re	ent 1991 b	alanc	e	5.0	00	.5,000(A	
]						Balance E	ue					
Livestock to be sol	d	Units	Unit Weight	Value Per Unit										
Calves		41	d 400	- 85	Π.	13,600(A1	}							
							CCC Loan: (S	ecurity) (D	ue Date)		
				· · · · · · · · · · · · · · · · · · ·	十	· · · · · · · · · · · · · · · · · · ·	 	n of Principal Due	on:				i	
			1		1		Intermediate	Liabilities					3,000 (
			†		\top		Lang Term I	_iabilities					2,000 (1	
Growing crops		A	cres	Cost/Acre			Accrued Intere						21000 7	
					+		Accounts an	d Notes Payable						
		1			\dagger		Intermediate						2,000 (1	
		+			+		Long Term I					$\neg \dagger$	2,000 (F	
		1			-		Accrued Taxes					$-\dagger$	-0-	
Supplies & Prepaid	Expenses				+		Income Tax &	Social Security						
ses					+		Other (judgmen				,	_		
er		· · · · · · · · · · · · · · · · · · ·			+		Accrued Rent/I							
	TOTAL C	TIBOEN	IT EARM	ACCETC A	1	22 100		TOTAL CURR	CAIT EADI	4 1 1 4	011 17156		420.000	
			FARM	ASSETS	13.	32,100	· 						\$30,000	
INTERMEDIATE F								FARM LIABILITIE		int.	yond 12 mon			
Accounts & Notes R	eceivable beyo	1 1			-			Creditor	Date	Rate	Delinquen	•	636 666	
Breeding Livestock Cows		Units	Va	due Per Unit	1		FmHA 44-	-01		5	\$5,000	<u>'</u>	\$38,000	
		70		650	154	5,500				<u> </u>	1-1-			
Bulls		3	1	.000	ļ	3,000				<u> </u>	(10)			
					1						(A2)			
Machinery, Equipme					<u> 3</u>	0,000					<u> </u>			
Cash Value, Life Ins.)	<u> </u>		CCC Grain Rese	rve '		-				
CCC Grain Reserve:	(Qty.) (Vaiue/l	Jnit ·)			Facilities	P	mt. \$					
Coop Stock				·			Loan Secured by	Life Insurance						
Other							Other							
то	TAL INTERM	IEDIATE	FARM.	ASSETS >	7	8,500	TOT	AL INTERMEDIA	TE FARM	LIAB	ILITIES]		\$38,000	
LONG TERM FARM	ASSETS (Fam	m Resi E	state)	-			LONG TERM FAI	RM LIABILITIES (P	ortions due	beyo	nd 12 months			
Total Acres	Date Purc	hased		Cost			Cı	editor	Due	Int.	Amount			
130	1980		100	,000	130	0,000	F.L.B.		0.976	Rate 10	Delinquent -0-		78,000	
									- 			-		
······································	<u> </u>								-			\dashv		
Coop Stock			<u> </u>									-		
quity in Partnership:	s/Corporations	/Joint O	perations	/Cooperatives								一 一		
)ther							Other		1			\dashv		
	TOTAL LONG	G TERM	FARM A	SSETS	12/	0,000		TOTAL LONG TE	RM FARN	LIAE	BILITIES		78 000	
OTAL FARM A	VESETS							4 1 14 811 191-				+	78,000	
CIAL FARM	133619			₽s	240	.600	TOTAL FARI	M LIABILITIE	:S			▶ k	146,000	

Public reporting burden for this collection of information is estimated to average 2½ hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Department of Agriculture, Clearance Officer, OIRM, Room 404-W, Washington, D.C. 20250; and to the Office of Management and Budget, Paperwork Reduction Project (OMB No. 0575-0061), Washington, D.C. 20503.

NONFARM ASSETS	\$ VALUE	NONFARM LIABILITIES				S AMOUNT
Real Estate		Nonfarm accounts payable				
Car, Recreational Vehicles, etc.						!
Household goods						
Cash value of Life Insurance						<u> </u>
Stocks, bonds, and other						į
Nonfarm Business		Nonfarm notes payable:				
		Name of Creditor	Due Date	Interest Rate	Annual Instal	Principal Balance
				1		
			ı	ł		
			T			
		тот	AL NONE	ARM LI	ABILITIES -	
		тот	AL LIABI	LITIES	>	\$146,000
TOTAL NONFARM ASSETS >		NET	94,600			
TOTAL ASSETS	\$240,600	TOTAL LIABILITIES A	\$240,600			
The above information is furnished for the purpose of securing and maintaining of to verify the accuracy of the information contained above to determine my credit changes to the above. I recognize that making any false statement on this Farm a	t-worthiness and to answ	er questions about their credit experien	ce with me.	l agree to		
Signature of Applicant/Borrower/Entity Member		-			Date	
Joe Borrower				1	1/2/92	·
1. Total of Cash On Hand, Crops and Livestock for Immediate Sale, an	nd Income To Be Rec	eived in Immediate Future			-	32,100
2. Debts and Expenses We Will Pay From Above Cash and Income (Ite	mize) Co-op \$	10,000 Cash Re	nt \$5	,000		
FmHA 44-01 Delinquent \$5,000						
3. Cash Carry-Over for Next Year's Operations After Paying These Det	ots					20,000 12,100(J)
		Beginning of Year		End of	Year	Increase or Decrease (FmHA use only)
4. Net Worth (Total Property Owned Minus Total All Debts)		94,600				
5. Total Land Debt		80,000				
6. Total Debts Other Than Land		66.000				

B. RENTAL AND LEASE INFORMATION

Land-General Description	Landlord		res		Type of Lease	Annual Cash	Expiration	
		Total	Crop			Rent	Date	
Crops/Pasture	John Smith	600	400	Cash		\$12,000	1995	
		-	1					
		•						
							<u></u>	
					/			
	TOTAL >	600	400					
Other Items-Description	Owner	No. of			Type of Lease	Annual Payment	Expiration Date	
	1							
								
		1	i					

NOTE: All "actual" data to be completed by end of crop year.

C. IMPROVEMENTS AND KEY PRACTICES — FARM, HOME AND FINANCIAL MANAGEMENT

Crops; Soil; Livestock; Financial Management; Maintenance; Repairs; Food Production and Conservation; Health, Home, Environmental, Community and Rural Development Activities.; Etc.	When To Do It	Source Of Funds	Actual Accomplishments
Keep records	All Year	_ Own	
Follow Extension Service Recommendations Sell Cull Cows and Purchase Spring Heifer	All Year	Own Own and Sell of	
	.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	Cows	
Type of Analysis (Complete) Month 12/15/92			

	PLA	NNED								ACTL	IAL		
CROPS, PASTURE,		YIELD OPE			TOR'S SH	IARE	ACRES	YIELD	OPERATOR'S SHARE UNITS				CASH INCOME
SET-ASIDE PROGRAM PAYMENTS, ETC.	ACRES	PER	UNITS FOR:		DOLLAR	PER							
	-	AURE	FARM USE	SALE	(ē	SALES		AURE	FARM USE	HELD FOR SALE	SOLD	(a:	
1. Soybeans	400	30	-0-	12000	5.75	\$69,000				<u> </u>			
^{2.} Pasture-Spring	200	N/A				-0-							
3. Pasture – Hay	75	2T	75T	75T	60	4,500							
4													
5.													
6.													
7.												-	
8.													
9.													
10.		•											
11. FARMSTEAD, GARDEN AND ROADS													
17 TAL (ENTER TABLE J, LINE 1)						\$73,500							

E. LIVESTOCK AND PRODUCTS — PRODUCTION SALES

PLANNED									ACTUAL						
LIVESTOCK AND PRODUCTS		PROD.	OPERATOR'S SHAF			ARE PROD.			OPERATOR'S SHARE				CASH		
AND WOOL-MOHAIR PROGRAM PAYMENTS	NO.	PER ANIMAL		UNITS FOR	₹:	DOLLAR	NO.	PER ANIMAL	UNITS			INCOME			
FROGRAM FATMENTS		ANIMAL	FARM USE	SALE	450#	SALES	ļ		FARM USE	HELD FOR SALE	SOLD	<u>@</u>			
1. Beef Cows	70	.9	2	61	@ .86	\$23,607									
² Cull Cows	2			2	\$350 hd.	700									
3.	·	i.								-					
4.										-					
5.															
6.															
7.															
8.															
9.															
LK (LBS.)															
1. EGGS (DOZ.)															
2. TOTAL (ENTER TABLE J, LINE 2)						\$24,307									

F. CASH FAMILY LIVING EXPENSES	OTHER CREDIT NEEDED	FMHA CREDIT NEEDED	PLANNED	ACTUAL EXPENSES	H. CAPITAL EXPENDITURES	OTHER CREDIT NEEDED	FMHA CREDIT NEEDED	PLANNED	ACTUAL EXPENSE
HOUSEHOLD OPNG			\$ 4000	7	Replacement Heifers			1200	<u> </u>
FOOD INCL. LUNCHES	 		500	1		<u> </u>			
CLOTH., PERS. CARE			1200	,					
HEALTH			1.500						
HOUSE REPAIR AND SANITATION			500			1		1	
SCHOOL			1000				İ		1
CHURCH, RECREATION			1600						
PERS. INSURANCE	1		2000						
TRANSPORTATION	1		1200			i			
FURNITURE & OTHER			500					1200	
TOTAL >			14,000	t		i			
	OTHER	FmHA			DEBTS REFINANCED (TABLE A)				
G. CASH FARM	CREDIT	CREDIT	PLANNED EXPENSES	ACTUAL	TOTAL >				
OPERATING EXPENSES	NEEDED	NEEDED	EXPENSES	EXPENSES	I. CREDIT FOR:	OTHER	FmHA	PLANNED	ACTUAL.
HIRED LABOR	i i	5000	5000		FAMILY LIVING		-0-	-0-	
MACHINERY REPAIR		5000	5000		FARM OPERATING		60000	60000	
FARM BUILDING & FENCE REPAIR			500		CAPITAL EXPENDITURES	T 1	-0-	-0-	
INTEREST			16000		TOTAL >			60000	
RENT		9000	12000						
FEED .		5000	5000		J. SUMMARY OF YEAR'S BUS	INESS		PLANNED	ACTUAL
SEED		6000	6000		1. CROP INCOME (Table D)			73500	
FERTILIZER		7000	7000		2. LIVESTOCK INCOME (Table E)			24307	
PESTICIDES & SPRAY MATERIALS		6000	6000		3. CONSERVATION PAYMENTS AND OT	HER FARM	INCOME	500	
OTHER SUPPLIES			500		4. TOTAL CASH FARM INCOME (1, 2 and	13)		98307	
IVESTOCK EXPENSE		2500	2500		5. CASH FARM OPERATING EXPENSES	(Table G)	İ	80050	
MACHINERY HIRE					6. NET CASH FARM INCOME (4 Minus 5)	···		18257	
UEL AND OIL		6000	6000		7. NON-FARM INCOME			-0-	
PERSONAL PROP. TAX					8. TOTAL NET CASH FARM & NON-FAR	M INCOME	6 Plus 7)	18257	7
REAL ESTATE TAXES		2600	2600		9. CASH FAMILY LIVING EXPENSES (Ta	ble F)		14000	
VATER CHARGES		700	750		10. NET CASH INCOME (8 Minus 9)			4257	
ROPERTY INSURANCE		2000	2000		11. CASH CARRY-OVER (Page 2, Line 3)			12100	
UTO & TRUCK EXPENSE			2000		12. LOANS AND OTHER CREDIT (Table 1)			60000	
TILITIES			1200		13. INTEREST (Table G)	•		16000	
					14. TOTAL AVAILABLE (10, 11, 12 and 13,			92357	
				1	15. CAPITAL EXPENDITURES (Table H)			1200	
URRENT OPNG. BILLS (TABLE A)	/			1	16. BALANCE AVAILABLE (14 Minus 15)	 		91157	
TOTAL	E /	0000 80	OFO I		7. GROSS CASH INCOME (4 Plus 7)			98307	

TO WHOM OWED	AMOUNT DUE THIS YEAR		PLAN -						
	(PRIN. AND INT.)	PRIN, AND INT. TO BE PAID	DATE	SOURCE OF FUNDS	AMOUNT PAID				
FmHA 44-01	5000	5000	11/1/92	Livestock Sales					
FLB	10000	10000	11/1/92	Crop Income and Livestock					
				Sales					
OP Loan	66000	66000	11/1/92	Crop Income					
		İ	1						
			<u>!</u>						
		<u> </u>							
INCOME AND COOK									
INCOME AND SOCIAL SECURITY TAXES		5000	12/92	Crop and Livestock Income					
TOTAL►	86000	86000							

I agree to follow this plan and to discuss with the County Supervisory any important changes that may become necessary. This instrument is a prospective plan only and does not release the security interest of the government in any security referred to in this plan.

"I RECOGNIZE THAT MAKING ANY FALSE STATEMENT ON THIS FARM AND HOME PLAN OR ANY OTHER LOAN DOCUMENT MAY CONSTITUTE A VIOLATION OF FEDERAL CRIMINAL LAW."

Signature of Applicant/Borrower

Signature of County Supervisor